

PUBLIC DISCLOSURE

APRIL 15, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WORCESTER FIRE DEPARTMENT CREDIT UNION

67683

**34 GLENNIE STREET
WORCESTER, MA 01605**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **WORCESTER FIRE DEPARTMENT CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"

The Credit Union's loan to share ratio is deemed to be adequate and meets the standards for satisfactory performance.

Based upon the analysis of real estate secured and consumer loans by borrower income, it appears that the Credit Union's lending is adequately distributed to members of various income levels, including those of low and moderate-income. Performance in this category is considered to meet the standards for satisfactory performance.

In addition to its performance under the small institution performance criteria, Worcester Fire Department Credit Union requested to have its community development lending, investments and services evaluated as part of its overall CRA performance in order to supplement its overall CRA rating.

The Credit Union has adequately addressed the fair lending guidelines set forth in the Division's Regulatory Bulletin 2.3-101. The Credit Union meets the standards for satisfactory performance in this category.

PERFORMANCE CONTEXT

Description of Institution

Worcester Fire Department Credit Union is a Massachusetts state-chartered credit union, which was incorporated on July 6, 1937. The Credit Union was established to serve the credit needs of the employees and associates of the Worcester Fire Department. The Credit Union maintains its sole office at 34 Glennie Street in Worcester, Massachusetts. Office hours are from 7:00am to 3:00pm Monday through Friday. ATM service is available at this location at the Credit Union's drive-through facility. The Credit Union issues its own ATM cards and members are allowed eight free ATM transactions monthly if they are enrolled in the Credit Union's Direct Deposit Program.

As of December 31, 2007, the institution had total assets of \$26,169,079, of which total loans represent \$13.9 million or 53.1 percent of total assets. The following table depicts the Credit Union's loan portfolio composition based on the December 31, 2007, National Credit Union Administration ("NCUA") Call Report of Condition.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	\$ AMOUNT (000's)	%
First Mortgage	3,201	23.0
Second Mortgage	2,497	18.0
New Vehicle	4,191	30.2
Used Vehicle	1,106	8.0
Unsecured	1,702	12.2
Credit Card – Unsecured	735	5.3
All Other	458	3.3
TOTALS	13,890	100%

Real estate secured first and second mortgage loans represent approximately 41 percent of the dollar volume of the loan portfolio. New and used vehicle loans comprise 38.2 percent of the portfolio, while unsecured personal and credit card loans are 17.5 percent. All other type loans such as passbook loans make up the balance of the portfolio.

Competition within the Credit Union's assessment area includes a variety of community-based and industrial credit unions, loan companies, mortgage companies and both large and small national, regional and community based banks. Given its asset size and financial capacity, Worcester Fire Department Credit Union has been successful in helping to meet the credit needs of its assessment area/membership.

The Division last conducted a CRA exam on October 31, 2002, which resulted in the Worcester Fire Department Credit Union receiving a rating of Satisfactory.

Description of Assessment Area

The CRA regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation, 209 CMR 46.41(8) a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Worcester Fire Department Credit Union is an industrial credit union and has a membership by-law provision based primarily on the employment/occupation of its members. Consequently for the purpose of this evaluation, the Credit Union's membership by-laws delineate the institution's assessment area(s).

The Worcester Fire Department Credit Union's by-laws state that: "Membership in this corporation is limited to those employees of the Worcester Fire Department, the Worcester Fire Department Credit Union and associations composed of such employees of the Worcester Fire Department and to those persons who are retired on pension or have resigned in good standing from the Worcester Fire Department; except that persons not so eligible for membership may have joint accounts with members of the Credit Union." At the Annual Meeting of the membership, held on April 27, 2007, the by-laws of the Credit Union were amended to expand the membership eligibility to: "...include spouse, mother, father, sister, brother, children and grandchildren of a uniformed or retired uniformed firefighter of the Worcester Fire Department."

The Worcester Fire Department Credit Union currently has 1020 members; among the current members, active fire department employees represent approximately 400 or 39.2 percent of the membership, retirees, former employees of the department and eligible family members comprise the balance of the membership representing 60.8 percent.

PERFORMANCE CRITERIA

An onsite evaluation was conducted using small institution procedures, as defined by the CRA. A review of the Division's, as well as the Credit Union's Public CRA File did not reveal any complaints relating to the Bank's CRA performance since the prior evaluation.

SCOPE OF EXAMINATION

The Credit Union originated a total of 969 loans during calendar years 2006 and 2007. Of the 969 loans, 61 were real estate secured. For examination purposes, a sample of 36 consumer loans, 18 from each year and a sample of 24 real estate secured loans, 12 from each year, were utilized for analyses purposes.

1. LOAN TO SHARE ANALYSIS

A comparative analysis of Worcester Fire Department Credit Union's quarterly net loan-to-share ratios for the period of March 31, 2006, through December 31, 2007, was conducted during this examination. Using the Credit Union's quarterly 5300 Reports, the average net loan-to-share ratio for this period was 59.4 percent. This ratio is based on loans net of the allowance for loan and lease losses as a percentage of total shares and is considered to be adequate.

WORCESTER FIRE DEPARTMENT CREDIT UNION			
LOAN TO SHARE ANALYSIS			
PERIOD	NET LOANS(\$)	SHARES(\$)	RATIO
March 31/2006	13,268,262	25,436,168	52.2
June 30, 2006	13,459,703	23,783,032	56.6
September 30, 2006	13,418,034	22,731,504	59.0
December 31, 2006	13,460,333	22,048,427	61.1
March 31, 2007	13,136,332	21,951,992	59.8
June 30, 2007	13,384,170	22,102,101	60.6
September 30, 2007	13,661,007	21,623,371	63.2
December 31, 2007	13,865,916	21,619,948	64.1

Source: NCUA Quarterly Call Reports

As the above table indicates, the loan-to-share ratio has shown a steady increase over the time period covered. Net loans grew over the time period by approximately \$600,000 or 4.5 percent, while shares declined by 15 percent or \$3.8 million. The combination of modest loan growth and marked decline in shares resulted in the significant increase in this ratio. It is important to note that the overall asset size of the institution declined by 11.5 percent, or \$3.4 million, over the same time period from approximately \$29.6 million to the current level of \$26.2 million.

PERFORMANCE CRITERIA (CONTINUED)

The following table provides net loans to share ratios for industrial credit unions within the City of Worcester. The ratios shown are calculated from NCUA Call report figures as of December 31, 2007. The Credit Union's ratio of 64.1 percent was below when compared to the other institutions; however, peer data reports for the same quarter indicate that the average share per member for Worcester Fire Department Credit Union is better than four times that of its peers. Therefore, the ratio is deemed to be adequate.

COMPARATIVE LOAN TO SHARE RATIOS	
Worcester Postal Credit Union	92.0%
Worcester Police Credit Union	92.0%
Worcester Fire Dept. Credit Union	64.1%

In summary, the net loan-to-share ratio appears to be adequate given the Credit Union's scope of operation. Based on the above information and considering Worcester Fire Department Credit Union's capacity to lend, its asset size, the types of loans offered and its lending strategy, the Credit Union's loan to share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the CRA regulation, a credit union whose by-laws are not based on residence, such as the Worcester Fire Department Credit Union, may define its membership as its assessment area. Because a membership defined assessment area does not consider any fixed limits on geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union originated 509 loans in 2006 totaling \$5,481,815 and 460 loans during 2007 totaling \$5,551,216. Originations include personal loans, new and used automobile loans, first and second mortgages, and share secured loans. A sample of 24 real estate secured loans and 36 consumer loans from 2006 and 2007 was taken in order to determine the distribution of credit based on the income levels of members. All of the real estate and consumer loans sampled were evaluated by using the income figures for the Worcester Metropolitan Statistical Area (MSA)/MD for 2006 and 2007. The originations were categorized by the ratio of the applicant's reported income to the estimated 2006 and 2007 median family incomes. The income figures are based on estimated Department of Housing and Urban Development (HUD) information which was \$71,700 for 2006 and \$72,800 for 2007.

PERFORMANCE CRITERIA (CONTINUED)

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

The sample for the real estate secured loans reviewed indicated that 4.2 percent of the loans were to moderate-income members; 29.2 percent of the loans were to middle-income members and 66.6 percent were to upper-income members. There were no real-estate secured loans made to low-income members in the sample.

The following table provides further detail.

Real Estate Secured Lending to Borrowers of Different Income Levels

% OF MEDIAN MSA INCOME	2006		2007		TOTAL	
	#	%	#	%	#	%
<50%	0	0.0	0	0.0	0	0.0
50% - 79%	0	0.0	1	8.3	1	4.2
80% - 119%	3	25.0	4	33.3	7	29.2
120% >	9	75.0	7	58.4	16	66.6
TOTAL	12	100.0	12	100.0	24	100.0

Source: In House Loan Files - 2006 and 2007

The sample for the consumer loans reviewed indicated that 8.3 percent of the loans were to low-income members and 16.7 percent were to moderate-income members while 33.3 percent and 41.7 percent were to middle and upper-income members respectively. The following table provides further detail.

Consumer Lending to Borrowers of Different Income Levels

% OF MEDIAN MSA INCOME	2006		2007		TOTAL	
	#	%	#	%	#	%
<50%	2	11.1	1	5.6	3	8.3
50% - 79%	2	11.1	4	22.2	6	16.7
80% - 119%	6	33.3	6	33.3	12	33.3
120% >	8	44.4	7	38.9	15	41.7
TOTAL	18	100.0	18	100.0	36	100.0

Source: In House Loan Files - 2006 and 2007

PERFORMANCE CRITERIA (CONTINUED)

It should be noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations to low and moderate-income members would be higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes.

Based upon the analysis of consumer loans by borrower income, it appears that the Credit Union's lending is adequately distributed to members of various income levels, including those of low and moderate-income. Performance in this category is therefore considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

According to the CRA regulation, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based on residence are now permitted to delineate membership as the assessment area. Therefore, since Worcester Fire Department Credit Union has defined its assessment area as its membership, as opposed to a geographic area, an evaluation of credit extended by census tract was not conducted as such an analysis would not be meaningful.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

REVIEW OF COMPLAINTS

A thorough review of the public comment file revealed that the credit union received no complaints pertaining to the institution's CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Worcester Fire Department Credit Union's Loan Policy has its Fair Lending Policy incorporated within it. As part of its Loan Policy, employee training is required and policy review for employees is performed annually. All credit applications are processed by at least two loan officers and are reviewed by both the Audit and Credit Committees of the Board as well as the Treasurer. Any applications considered for denial must be approved by the Manager. The Credit Union has 10 employees of which one is a Spanish speaking.

The Credit Union's marketing activities include placing information on its credit products and services on bulletin boards located in the various departments of the Worcester Fire Department's houses and offices. Lobby brochures are also provided in its main office. The Credit Union also includes statement stuffers in correspondence sent out to the membership. The above activities keep the membership informed of new product offerings as well as credit information and savings incentives.

PERFORMANCE CRITERIA (CONTINUED)

The Credit Union sends the membership, on an annual basis, a questionnaire where members can express their suggestions and concerns. Management stated that the questionnaire has been well received and has assisted in the implementation of new products and services.

Due to the Credit Union's industrial nature and lack of demographic information concerning race, a minority application flow analysis was not completed.

Based on the foregoing information, the Credit Union meets the standards for satisfactory performance in this category.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

A review was conducted for compliance with fair lending regulations, and no evidence of disparate treatment or impact was revealed.

COMMUNITY DEVELOPMENT

In addition to its performance under the small institution performance criteria, Worcester Fire Department Credit Union requested to have its community development lending, investments and services evaluated as part of its overall CRA performance in order to supplement its overall CRA rating. As defined in the CRA regulation, a community development service, loan, or investment has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies.

In September 2006, the Credit Union sought approval from the Commissioner of Banks and subsequently received approval to invest in the Worcester Community Housing Resources Community Loan Fund (The Loan Fund). The Loan Fund is designed to provide financing to promote the rehabilitation of abandoned and foreclosed properties, create affordable housing, provide low-cost financing of home improvements in targeted neighborhoods, and foreclosure prevention programs. The Loan Fund provides financing to area community development corporations and nonprofits as well as directly to qualified individuals.

In April 2007, the Credit Union invested \$50,000 in the Loan Fund. The \$50,000 investment represents 3.4 percent of the fund. Under the CRA regulation, the Credit Union may receive its pro-rata share of the Loan Fund activity as community development lending credit. From April 2007 through April 15, 2008, the Loan Fund generated \$810,145 in qualified community development loan activity. The Credit Union's pro-rata share of that activity is \$27,869.

PERFORMANCE CRITERIA (CONTINUED)

The investment in the Loan Fund is considered to be both innovative and complex for the Credit Union. An investment of this type for an industrial type credit union of this size and nature is unusual and commendable. This specific investment has a strong and dramatic impact on the Credit Union's membership by reducing the number of abandoned properties and facilitating the rehabilitation of those properties in the City of Worcester. The reduction in number and rehabilitation of these properties assists in the welfare and safety of the Credit Union's members by reducing the number of fires which typically take place in these types of properties. This investment also has a significant positive impact on the Worcester community as a whole. This investment is given favorable consideration in the overall CRA rating of the institution.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 34 Glennie Street, Worcester, Massachusetts."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.